



PepsiCo Health and Wellness Case Study:

Capturing Growth at the Intersection

USDA Outlook Forum
February 20, 2004

Major Trends

1. Big Demographic Shifts

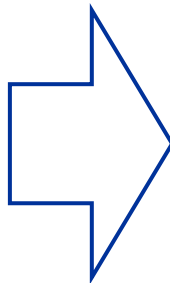
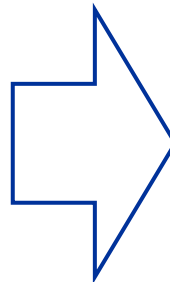
- Both older and younger
- Increasing ethnicity

2. Increasing Time Pressure

- Dual Income Families
- Increasing Work Time

3. Increasing Health Concerns

- Emerging obesity epidemic
- Increasing age-related
- Behavioral shift to prevention



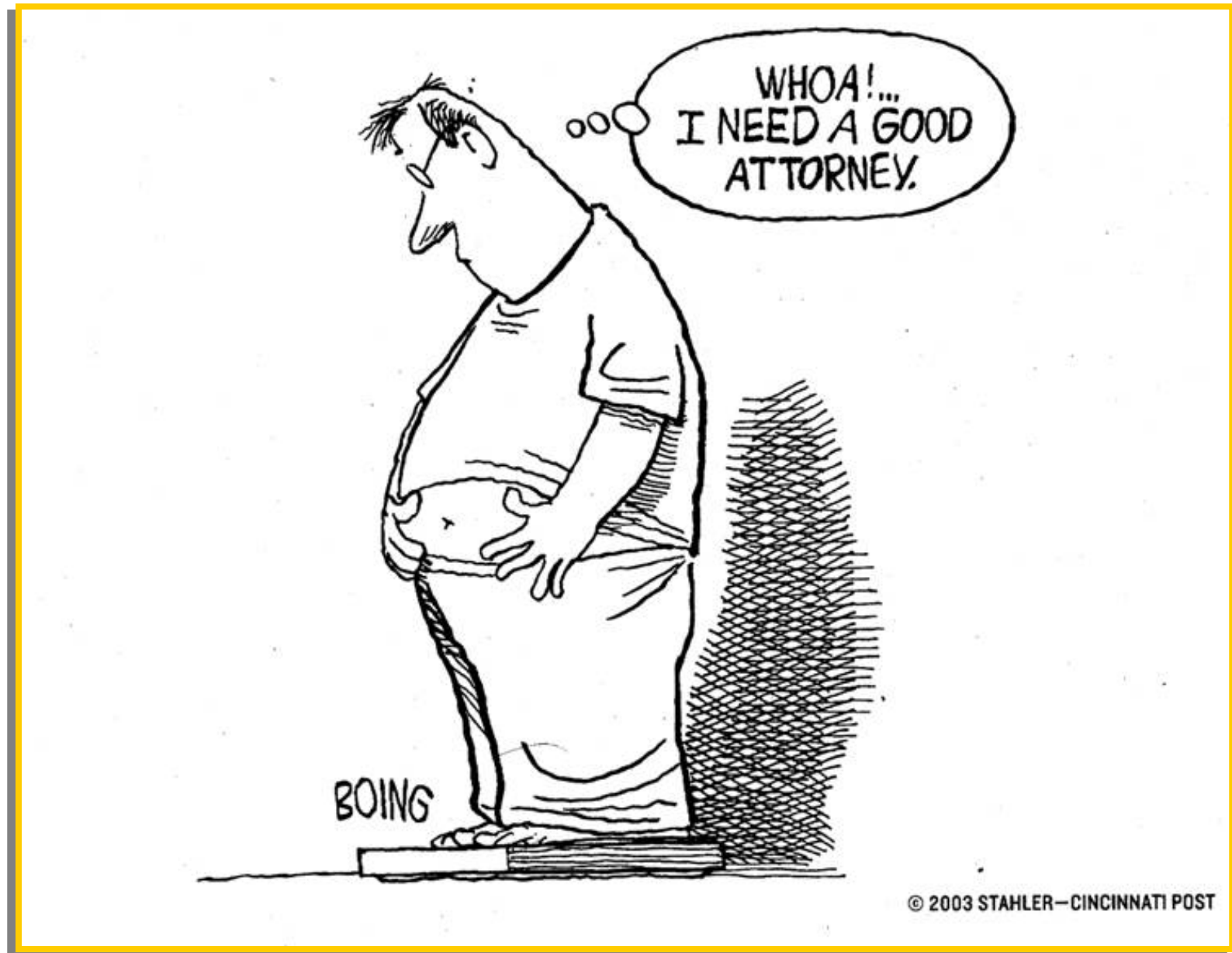
Major New Growth Opportunities

- Life-stage Tailored Products
- More Taste / Experience Variety

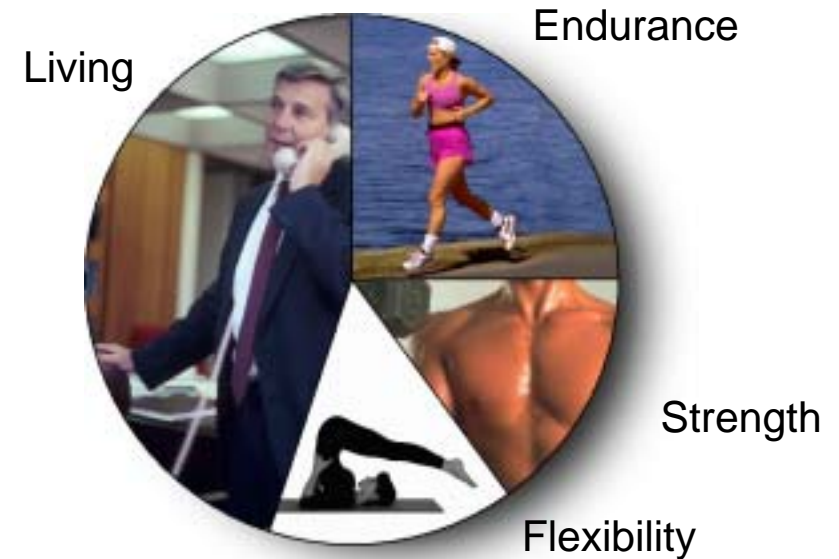
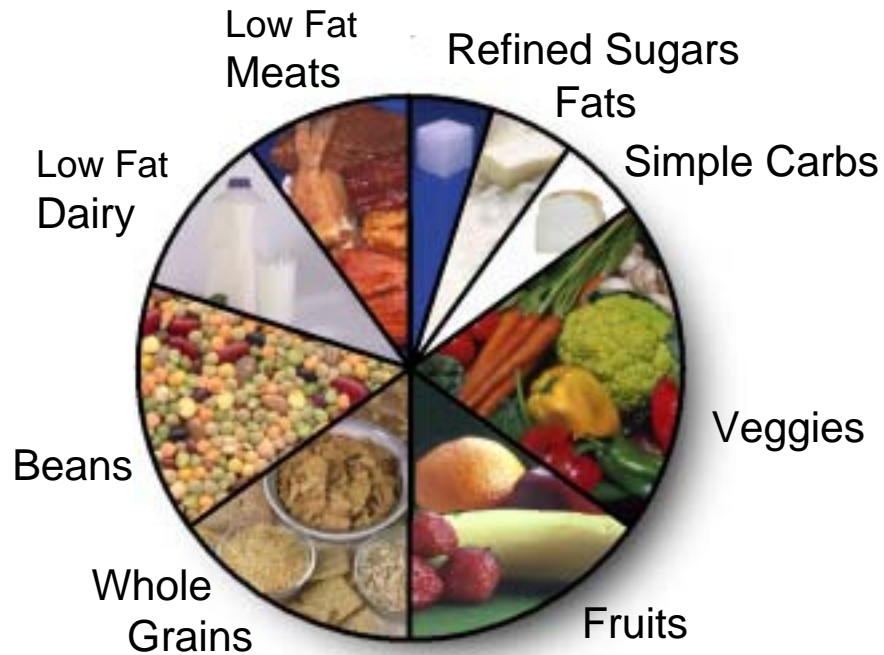
- Improved Convenience
- Re-Defined Meals: “Snack Meals”

- Growing Demand for Wellness
 - Better-For-You choices
 - Good-For-You nutrition

But What's the Solution to Obesity?



The Big Idea in Wellness: Energy Balance

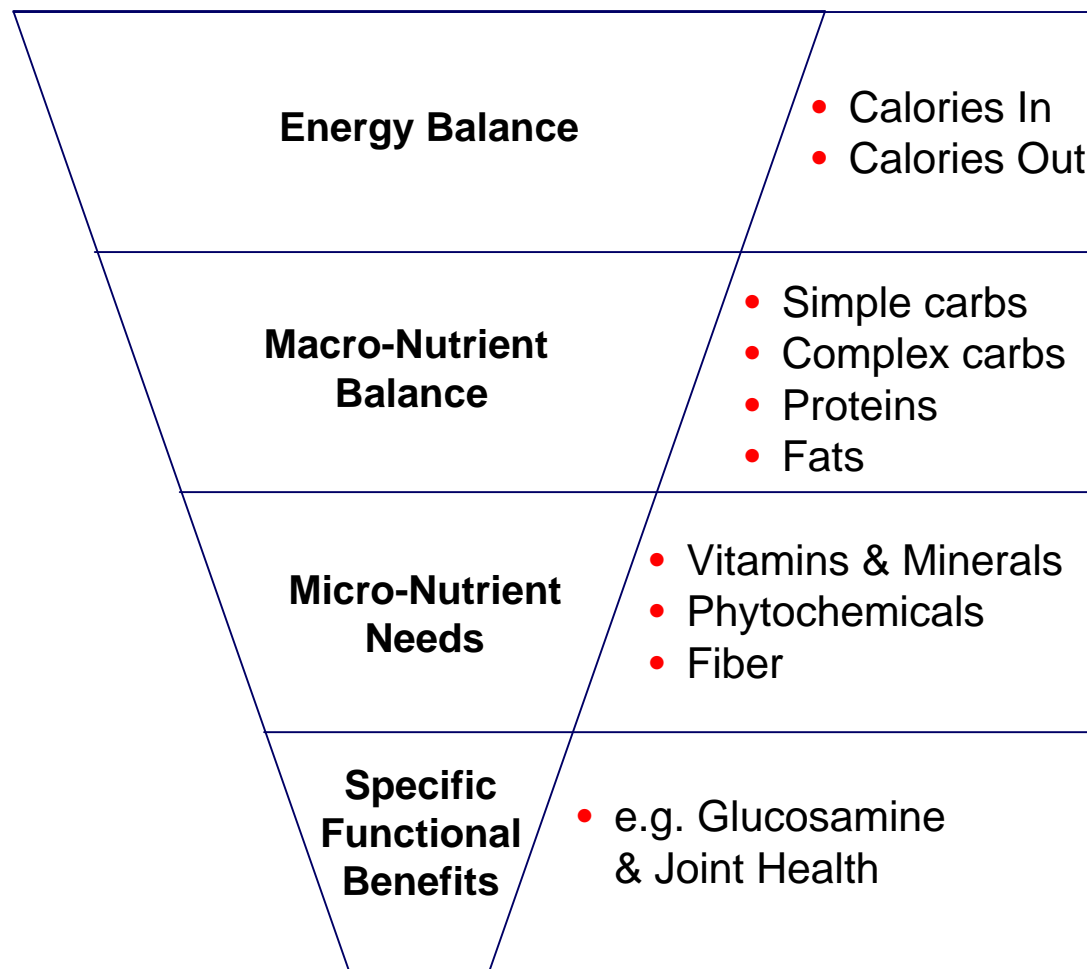


Calories In

Calories Out

**The
Energy
Balance**

Consumer Knowledge Needs

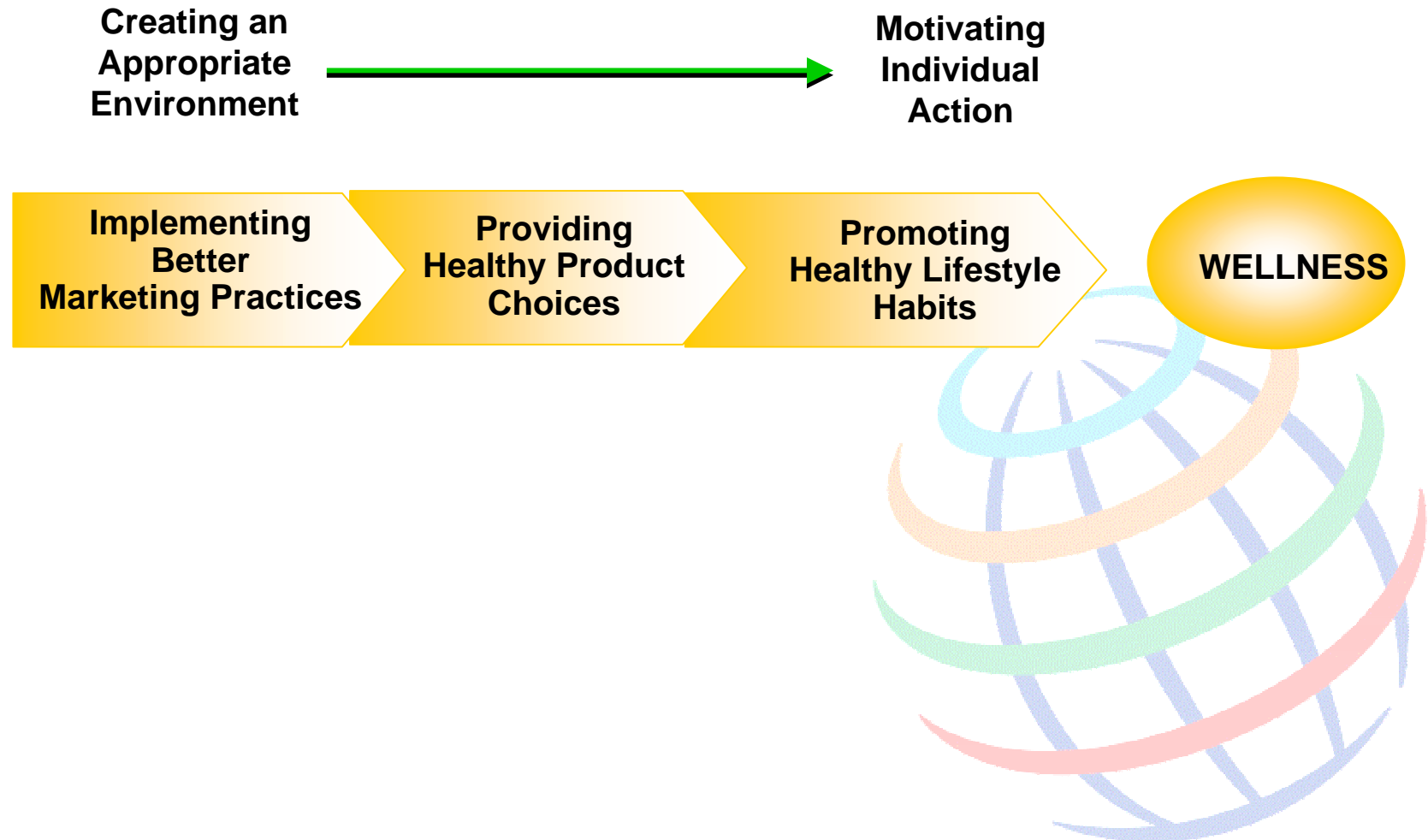


Biggest Consumer Opportunities

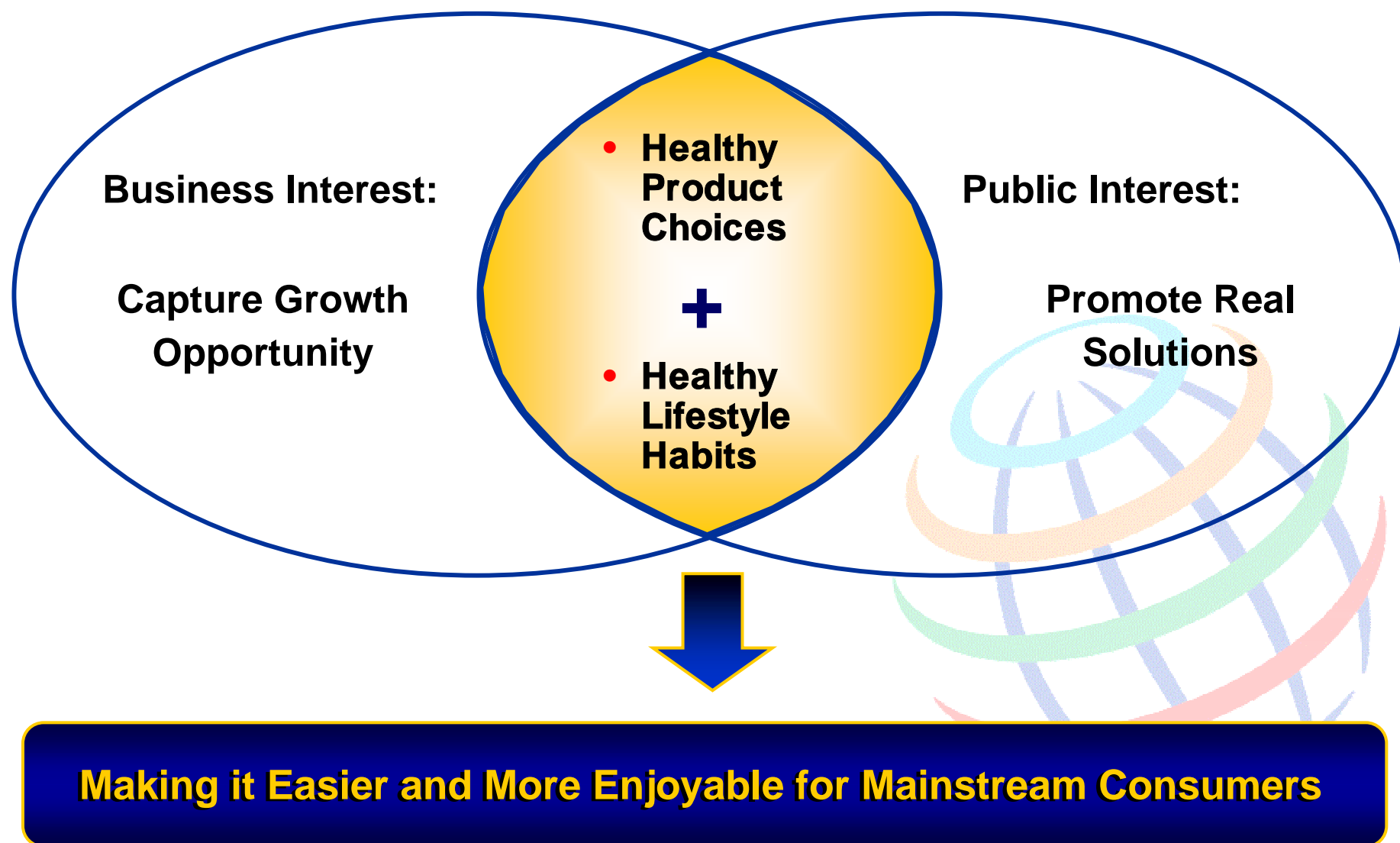
- **Easier ways to manage energy balance**
- **Easier ways to replace simple carbs with complex carbs and low fat proteins and healthier fats.**
- **Easier ways to get micro-nutrients through a mix of whole foods & appropriate fortification**



Proposed Solutions

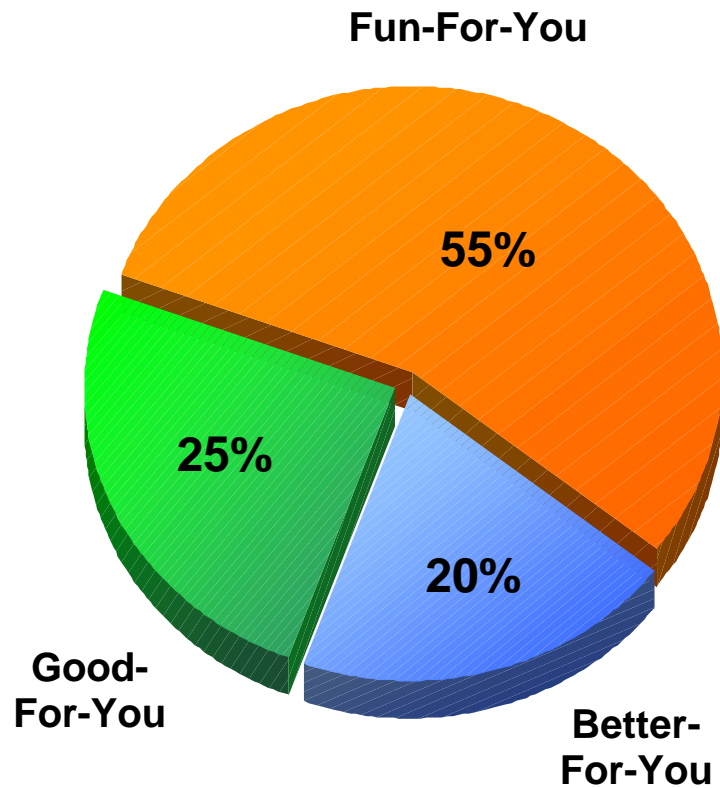


Focus Our Efforts at the Intersection of Business Interest and Public Interest . . .

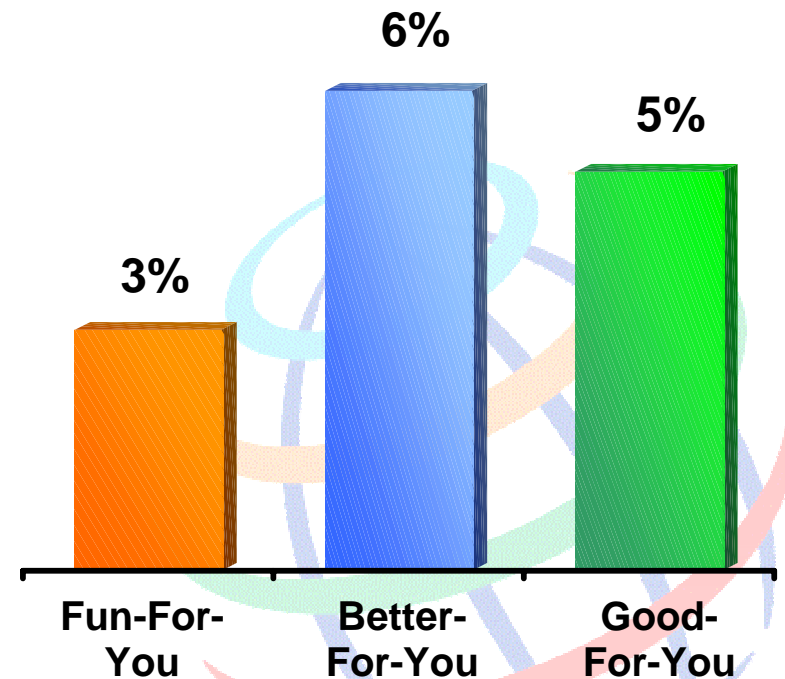


In North America, GFY/BFY Is Almost Half The Business And Growing Faster.

2002 Revenue — PepsiCo North America



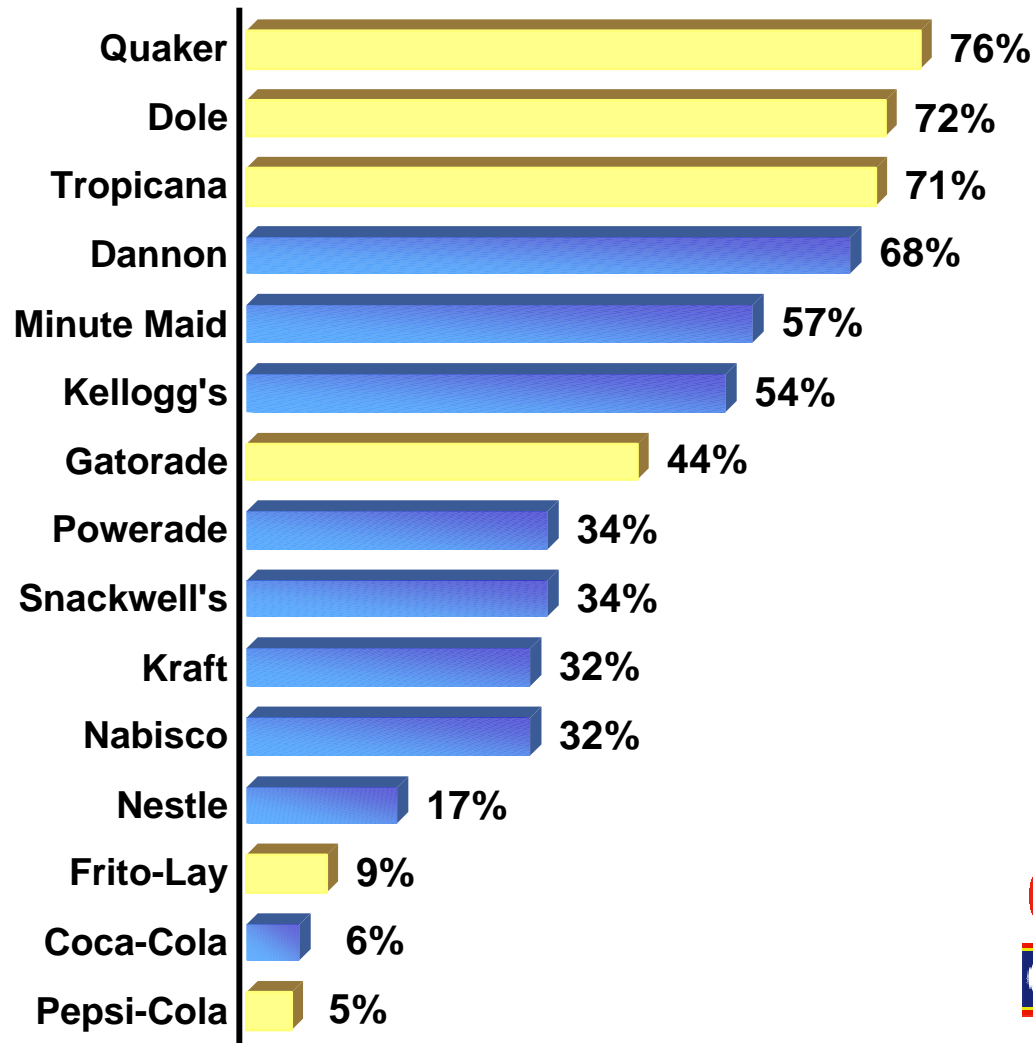
2002 Net Sales Growth vs. YAG



We're Starting From A Very Strong Position

Most Respected Brands in Health

% Consumers Consider Brand Very or Extremely Healthy



The Leading Brands in all Healthy Segments



Choices

Habits

1

2

3

4

**Accelerate
BFY / GFY
Product
Development**

**Improve
Healthfulness
of Existing
Products**

**Deliver
Healthy Food
& Bev Solutions
to Schools**

**Promote
Healthy Kids
Lifestyles**

- 50% of 3-Year New Product Revenues
- New Good-For-You Ventures
 - Proteins
 - Whole grains
 - Fruits & vegetables

- Eliminated Trans-Fats at Frito-Lay
 - Completed on core salty snacks
 - New labels in market
- Cooper Smart Snack Labeling
- Establishing Wellward Choices™ Nutrition Standards

- Introducing New Wellward Choices™ in Schools
- Promoting Wellward Choices™ in Schools
 - New Aquafina & Gatorade vending
 - In-School marketing
- Promoting Healthy Breakfast

- Promoting Youth Sports
- Motivating Lifestyle Change: America On The Move™
- Supporting School Decision-Makers: “Health Is Power™”

Big New Healthy Product Introductions This Year in Every Division



Provide Healthy Product Choices



Promote Healthy Lifestyles



Support School Decision-Makers



School Resource Guide



ASFSA Partnership & Interactive Wellness System

What Are Wellward Choices™?



- Consumer reference for BFY/GFY
 - Naturally Nutritious
 - Formulated for Function
 - Reduced and Rewarding
- Based on Credible Nutrition Standards
 - Fat, Saturated fat, Trans-fat
 - Sugar
 - Sodium
- Used as a Connector / Endorser

Snacks

Examples:

Baked! Lays® Original Potato Crisps
 Baked! Ruffles® Originals Potato Crisps
 Baked! Tostitos® Bite Size Tortilla Crisps
 Cheetos Reduced Fat Cheese puffs
 Fritos® Black Bean Dip
 Quaker® Rice Cakes Cheddar
 Quakes® Butter Flavored
 Rold Gold® Honey Braided Twists
 Ruffles Reduced Fat Potato Chips
 WOW! Fat Free Snacks
 Tostitos® Restaurant Style Salsa

Beverages

Examples:

All Gatorade® Products
 Aquafina® Purified Drinking Water
 Diet Pepsi®
 Dole® 100% Juices
 Lipton® Iced Teas
 Propel Fitness Water™
 SoBe® Black Tea 3G™
 SoBe® Synergy™
 Tropicana® 100% Juices
 Tropicana® Smoothies

Foods

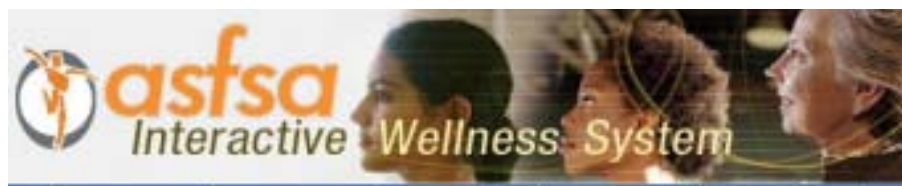
Examples:

Baked Apple Breakfast Squares
 Instant Quaker® Oatmeal
 Kretschmer® Wheat Germ
 Near East® Taboule Wheat Salad Mix
 Quaker Oats Nutrition for Women
 Old Fashioned Oatmeal
 Quaker® Cinnamon Oatmeal Squares
 Quaker® Low Fat 100% Nat. Granola
 Quaker® Oatmeal Express®

What Is America On The Move™?



- Energy balance education & activation:
“Move More, Eat Less”
- A National Movement to help people get started
 - Eating Habits: 100-calorie sustainable change
 - Exercise Habits: 2000+ extra steps
- A “Big Tent” public/private partnership
 - Organization: 501(C)3 affiliated with University of Colorado Health Sciences Center
 - Developers: HHS, CDC, State of Colorado
 - Sponsors: PepsiCo as national presenting sponsor, 4-5 additional corporate sponsors
 - Affiliates: States & Cities
 - Delivery Partners: e.g. AARP, Association of Black Churches, Y of the USA
- An umbrella development resource for programs in schools
 - Elementary schools
 - Middle schools



- Strategic partnership with American School Food Service Association
- PepsiCo "Wellness Day" at National Convention
 - Dr. Cooper keynote speech
 - Dr. Cooper video of ASFSA wellness strategy with PepsiCo leadership
 - Breakouts led by PepsiCo wellness partners
- PepsiCo Health Is Power™ School Resource Guide
- PepsiCo-ASFSA Interactive Wellness System
 - Provided by PepsiCo, a personal wellness resource for American Food Service workers
 - Integrated into ASFSA web site

Enlisting the Best Support

- Dr. Ornish & Preventive Medicine Research Institute
- Dr. Cooper & The Cooper Aerobics Center
- Dr. Jim Hill & America On The Move™
- YMCA Mission Sponsorship
- American School Food Service Administrators
- PepsiCo Blue Ribbon Advisory Council on Health & Wellness





Blue Ribbon Advisory Board on Health & Wellness

S. Ward Casscells, III, M.D.	Professor of Medicine & Cardiology, University of Texas
Kenneth H. Cooper, M.D., M.P.H.	President & Founder, The Cooper Aerobics Center
Antonia Demas, Ph.D.	Director, Food Studies Institute
Ambassador Thomas Foley	Partner, Akin Gump Strauss Hauer & Feld, LLP
Kenneth L. Gladish, Ph.D.	National Executive Director, YMCA of the U.S.A.
George Graham, Ph.D.	Professor of Kinesiology, Pennsylvania State University
David Heber, M.D., Ph.D.	Professor of Medicine & Public Health, UCLA Center for Human Nutrition
James O. Hill, Ph.D.	Professor of Pediatrics & Medicine, University of Colorado Health Sciences Center
Governor James B. Hunt, Jr.	Former Governor of North Carolina (1977-1985; 1993-2001)
David A. Kessler, M.D., J.D.	Dean, School of Medicine, University of California - San Francisco
Susan Love, M.D.	Co-Founder & Senior Partner, Luminari
Dean Ornish, M.D.	Founder & Director, Preventive Medicine Research Institute
Pamela Peeke, M.D.	Assistant Professor of Medicine, University of Maryland



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